

Plaintiffs' Exhibit 186

Message

From: John Leu [jleu@google.com]
Sent: 6/23/2014 5:16:29 PM
To: Amir Kaspi [amirkaspi@google.com]
CC: Bora Toska [btoska@google.com]; Chris Maxcy [maxcy@google.com]; James McSweeney [jamesm@google.com]; Maxim Edelman [medelman@google.com]
Subject: Re: AWBid - Important update on revenue impact and implications

Bora and I meet with Tobias on a bi-weekly basis so we are continuing to monitor this as the Product team makes progress. I agree that we should do a formal check-in on status vs. projected rates at mid and end of Q3.

John

On Mon, Jun 23, 2014 at 1:20 AM, Amir Kaspi <amirkaspi@google.com> wrote:

Thank you guys. Very helpful.

Are we scheduled to revisit and review the review model again w/the team by the end of Q3 ? It will be great to keep it in mind as we continue adding exchanges internationally.

On Fri, Jun 20, 2014 at 9:39 AM, Bora Toska <btoska@google.com> wrote:

Thanks John. I was unable to take notes because I was temporarily blinded from a visit to the eye doctor but I'll share my take-aways from this meeting:

My understanding of what Tobias said is that he **has been given until the end of Q3 this year to make AWBid work** and that's why they'll increase the experiment from 1% to 10% to get more data.

Time out is one of their biggest product issues and a difficult one to solve from an engineering perspective. While they have ideas on how to do it, implementation may not happen even by 2015.

Neal is concerned on whether AWbid is going to make sense for our advertisers and whether it will excessively **cannibalise other areas of our business**.

Suggested next steps for Partnerships:

- We should ask Tobias to re-prioritise the target list of exchanges based on size so that we can see which exchanges will provide the largest amount of inventory for the experiment and jointly decide how we can align our partnership activities to meet Product's goals.
- I recommend that we **pause activity for big exchanges in sensitive markets** such as Russia and China until we have a better view of the product's long-term viability.

Let me know if you agree with this approach and if you have additional feedback.

Thanks,
Bora

On 20 June 2014 18:08, John Leu <jleu@google.com> wrote:

Most of the timing we talked through was 2014 so well work with them for more definitive targets.

John

Sent from my phone

On Jun 20, 2014 12:56 AM, "Chris Maxcy" <maxcy@google.com> wrote:
Thanks John,

Good to see that they had very specific rationale for improvements. Do we have agreement with Product on timing for all these improvements/goodness ;)?

Chris

On Thu, Jun 19, 2014 at 4:27 PM, John Leu <jleu@google.com> wrote:
Hi everyone,

Yesterday, Tobias presented at AWBid Steering Committee and today, Bora and I debriefed with him.

Most importantly, we were able to revise up a lot of the key inputs into the AWBid financial model, increasing the global revenue opportunity to upwards of \$350M. You can see the detailed rationale, which all made sense to Bora and I, for the revised inputs here.

Other key take-aways from the Steering Committee meeting include:

- Eng and Product core team confident they can significantly improve Google's ability to bid on and win 3P exchange impressions
- Brad Bender and Oren Zamir are very supportive. Neal Mohan has concerns over incremental value given potential for cannibalization, so need to continue monitoring effect on overall Google business.
- Increasing experiment from 1% to 10% of Adwords remarketing demand

While there's a lot of hard work ahead for the Product and Eng team, I think we feel much better about the commitment from our BD team and the broader impact. Bora - feel free to chime in with additional color.

Thanks,
John

On Wed, Jun 4, 2014 at 3:38 PM, John Leu <jleu@google.com> wrote:
(Ads BD only)

Chris,

Hope CAB is going well.

I wanted to call out some key challenges we are running into on the AWBid project. In particular, we have developed a new financial model that, with significantly more data, is projecting much lower revenue impact than our initial analysis.

tl;dr

Finance developed an AWBid 2.0 model that shows significantly less revenue impact than earlier projections. This could mean that we should terminate existing deals and slow/halt existing BD work. We are trying to chase Product to validate financials, but may escalate to you early next week with no response from them.

Revenue impact overview

Our initial analysis, developed by Product and approved by Finance, projected that just signing the U.S. exchanges could mean \$100 million of incremental revenue. In our 2.0 model, with the addition of EMEA and

APAC exchanges, which double the overall impressions, AWBid is projected to generate only \$40 million in annual revenue.

The biggest difference between methodologies is that the initial model looked primarily at incremental impressions from 3P exchanges while the 2.0 model iteration layers in things like timeout or matched impressions, factors that the Product team never acknowledged with us.

Importantly, it's not clear if inputs in the 2.0 model are correct. For example, the goal behind AWBid was filling unfulfilled AdWords demand, but the Product team only expects to find a remarketing ad for eligible impressions 30% of the time. Just as concerning, the Product team has been especially unresponsive in updating or validating the inputs.

Potential implications of low AWBid revenue (if confirmed)

As a reminder, due to the competitive concern that AWBid raises with AdX, AWBid BD efforts were green-lit by Neal Mohan in Q3 2013. However, if there are not more favorable financials for AWBid, I would recommend that we consider the following:

- Significantly slow or halt existing BD efforts and partner negotiations (Yahoo, Baidu, Tencent, etc.)
- Terminate existing U.S. agreements due to competitive concerns with AdX

Tactical next steps with Product

I've already pushed Product on these concerns (email below) with no success. Due to CAB, I am going to lean on them for a response by first thing next week, but if we don't hear back, I will escalate to you.

Bora - feel free to add any other color to the conversations.

Please let us know if you have any questions.

Thanks,
John

----- Forwarded message -----

From: **John Leu** <jleu@google.com>

Date: Mon, Jun 2, 2014 at 5:35 PM

Subject: Time Sensitive: [AWBid] Please review final draft of revenue model

To: Bora Toska <btoska@google.com>

Cc: Madhvi Bhatia <madhvib@google.com>, Tobias Maurer <tmaurer@google.com>, James McSweeney <jamesm@google.com>, Maxim Edelman <medelman@google.com>, Dale Allsopp <dallsopp@google.com>, Amanda Storey <amandastorey@google.com>, Amir Kaspi <amirkaspi@google.com>

+ Amir

Hi Tobias,

I'm catching up from being OOO and wanted to escalate a number of key items to you:

1) TIME SENSITIVE: Finance model (gating progress with Improve Digital and Yandex)

Even with revised data on timeout, drop-off, matched impressions, the projected revenue impact from AWBid is minimal. In particular, the matched impressions, win rate, and bid rate look especially low. We've even factored improvements in key metrics (drop-off from 50% to 30%, timeout from 20% to 10%, etc.) for an optimistic scenario. However, Google's win rate is about .1% and the resulting run rates are ~\$40 million gross and ~\$10 million net.

There is legitimate concern that these numbers will lead to additional push-back from Finance and the PBS team.

@Tobias - can you please review the values in Column F, Rows 16 through 20 (Phase II: 2015) and either validate or adjust the values ASAP?

2) Commitment to weekly Product/BD/Legal meeting

There are a number of Product-specific questions that the broader international team would like to review with you. Are you able to make the the weekly Product/BD/Legal meeting on Monday mornings? James and I found this hugely helpful, so Bora et al really appreciate your time once a week.

3) "Turning on" Lijit for Adwords demand

Lijit has already signed the AWBid contract and reached out again about moving forward. Are you ready to for next steps with Lijit? Let me know and I can reach out on our behalf.

Thanks,
John

On Tue, May 27, 2014 at 2:50 AM, Bora Toska <btoska@google.com> wrote:
Hi all,

Let's try to finalise **before the end of this week** and see if the numbers make sense.

@Tobias, when is the earliest when you can review the numbers and provide the corrected ones?

Thanks,
Bora

On 23 May 2014 21:06, Madhvi Bhatia <madhvib@google.com> wrote:
Short story:

The negative revenue is because of the cpm differential. Current global avg remarketing rpm is \$1.275 and if the cpm derived from DBM (7 day sample) for any exchange is higher than that, then we get a net negative for Google.

Thanks,
Madhvi

On Fri, May 23, 2014 at 12:00 PM, Tobias Maurer <tmaurer@google.com> wrote:

Hey, let's not circulate this broadly until we have the model fixed. There seems to be a few errors in the sheet. See negative revenue. I haven't had time to review but it is high in my list.

On May 23, 2014 11:28 AM, "Bora Toska" <btoska@google.com> wrote:
Hi all,

John, Tobias, Madhvi and I have worked to build a revenue model to estimate the impact that each exchange integration on AWBid will have on Google in a 3-year time frame.

Goals of this revenue model

This should be used as a decision-making tool for internal discussions and internal approvals processes regarding our international exchanges. Therefore it is important to make sure that you all feel comfortable with its structure and the numbers.

The most urgent application of this will be to use it at EPX for Improve Digital in the Netherlands.

Can you please review it here and let me know if it makes sense to you in terms of the parameters and numbers included?

Thanks,
Bora

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Bora Toska | International Product Partnerships | Google
desk: +41 44 668 1216 | mobile: +41 79 877 3886

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madhvib@google.com

Go g e

(650) 214-3270

Bora Toska | International Product Partnerships | Google
desk: +41 44 668 1216 | mobile: +41 79 877 3886

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jleu@google.com 415.531.2456

jleu@google.com 415.531.2456

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John Leu | New Ads Business Development
jleu@google.com | 415.531.2456
1600 Amphitheatre Parkway, Mountain View, CA 94043

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Chris Maxcy
maxcy@google.com
650-214-1254

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Bora Toska | International Product Partnerships | Google
desk: +41 44 668 1216 | mobile: +41 79 877 3886

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Amir Kaspi Emerging Business Development, Display Advertising
<u>amirkaspi@google.com</u> 650-253-2704

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John Leu | New Ads Business Development
jleu@google.com | 415.531.2456
1600 Amphitheatre Parkway, Mountain View, CA 94043

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